

FILED

IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF VIRGINIA  
ALEXANDRIA DIVISION

2006 SEP 22 P 5:14

CLERK US DISTRICT COURT  
ALEXANDRIA, VIRGINIA

ALCATEL USA RESOURCES, INC.,  
a Delaware Corporation,

*Plaintiff,*

v.

Civ. Action No. 1:06CV 1089

LMB/TRJ

JON W. DUDAS,  
Under Secretary Of Commerce  
For Intellectual Property And  
Director Of The United States  
Patent And Trademark Office

*Defendant.*

**COMPLAINT**

Plaintiff, Alcatel USA Resources, Inc ("Alcatel"), by its attorneys, for its  
Complaint alleges as follows:

**THE PARTIES**

1. Plaintiff Alcatel is a corporation organized and incorporated under the laws of the State of Delaware, with its principal place of business located at 3400 W. Plano Parkway, Plano, Texas 75075. Alcatel is the sole owner of U.S. Patent No. 6,874,090 ("the '090 patent") by virtue of assignments from the inventors of the '090 patent and related corporate entities. Those assignments are recorded at the United States Patent and Trademark Office ("PTO") at Reel No. 012237, Frame No. 0360; Reel No. 013484, Frame No. 0292; Reel No. 016385, Frame No. 0027; and Reel No. 018247, Frame No. 0418.

2. Defendant Jon W. Dudas ("Director") is Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office ("PTO"). The PTO is headquartered in Alexandria, Virginia. The Director is being sued in his official capacity.

### **JURISDICTION AND VENUE**

3. This Court has jurisdiction over this action pursuant to 28 U.S.C. §§ 1331 and 2201, and 5 U.S.C. §§ 701-706.

4. Venue is proper in this forum pursuant to 28 U.S.C. § 1391(e).

### **FACTUAL AND STATUTORY BACKGROUND**

5. This is a facial challenge to the Defendant's implementation of a federal statute governing the applicability of *inter partes* patent reexamination proceedings, 35 U.S.C. §§ 311-318.

6. Congress established the *inter partes* reexamination procedure in Section 4608 of the American Inventors Protection Act of 1999, Pub. L. No. 106-116, 113 Stat. 1501, 1501A-567 to 1501A-572 (1999) (the "AIPA"). The *inter partes* reexamination procedure available under AIPA is substantially different from the *ex parte* reexamination procedure otherwise available under 35 U.S.C. §§ 301-307. In particular, the *inter partes* reexamination procedure affords a third-party requester the right to participate in the reexamination proceeding after the PTO has issued a first Office Action. *See* 35 U.S.C. § 314. Furthermore, in an *inter partes* reexamination proceeding, the third-party requester is afforded the opportunity to participate in an appeal of any decision adverse to patentability. *See* 35 U.S.C. § 315. This is contrasted to the *ex parte* reexamination procedure where, with one minor exception, the third-party requester's

participation in the reexamination proceeding ends with the filing of a request for reexamination. *See* 35 U.S.C. §§ 304-306.

7. Section 4608 of the AIPA states that “this Act [] shall apply to any patent that issues from an original application filed in the United States on or after [November 29, 1999].” The term “original application” was not defined in the AIPA.

8. The PTO has implemented the AIPA under an interpretation of § 4608 published in the Official Gazette of April 11, 2000. The notice in the Official Gazette stated that “[t]his notice addresses several of the changes created by the [AIPA] which do not require rulemaking to implement.” The notice in the Official Gazette goes on to state:

The phrase “original application” is interpreted to encompass utility, plant and design applications, including first filed applications, continuations, divisionals, continuations-in-part, continued prosecution applications (CPAs) and the national stage phase of international applications. This interpretation is consistent with the use of the phrase in 35 U.S.C. 251 and the federal rules pertaining to reexamination. In addition, section 201.04(a) of the Manual of Patent Examination and Procedure (MPEP) defines an original application as “. . . an application which is not a reissue application.” Section 201.04(a) of the MPEP further states that “[a]n original application may be a first filing or a continuing application.” Therefore, the Optional Inter Partes Reexamination Procedure is applicable to patents which issue from all applications (except for reissues) filed on or after November 29, 1999. A patent which issued from an application filed prior to November 29, 1999 with a request for continued examination (defined in section 4403 of the Act) on or after May 29, 2000, however, is not eligible for the Optional Inter Partes Reexamination Procedure. A request for continued examination is not considered a filing of an application.

9. In May, 2004, the interpretation from the April 11, 2000 Official Gazette was further formalized by incorporation into the Manual of Patent Examination Procedure (“M.P.E.P.”) at § 2611, which is virtually identical to the Official Gazette notice. *See* M.P.E.P.

Blue Pages, p. 48 (8th ed., Rev. 2, May 2004) (“New Chapter 2600 added to set forth policies and procedures pertaining to optional *inter partes* reexamination”)

10. Contrary to what is stated in the Official Gazette notice and M.P.E.P., the term “original application” does not appear in 35 U.S.C. § 251. Instead, that section uses the term “original patent.” However, the phrase “original application” does appear in 35 U.S.C. § 121, which states that “a divisional application which complies with the requirements of section 120 of this title shall be entitled to the benefit of the filing date of the original application.” In other words, according to the only section of the patent statute where the term appears, “original application” refers to the *first* application upon which a later application or applications are based. This interpretation is also consistent with the plain meaning of the phrase “original application.” Indeed, the dictionary defines the term “original” to mean “1 a: of or relating to a rise or beginning: existing from the start: INITIAL, PRIMARY, PRISTINE . . . b: constituting a source beginning, or first reliance.” WEBSTER’S THIRD NEW INTERNATIONAL DICTIONARY 1591 (3d ed. 1981).

11. The '090 patent issued from a continuation application filed June 21, 2001, which claims priority to a continuation application claiming priority to the original application filed on June 13, 1997. A “continuation” application is a later application based on an earlier-filed application, which contains an identical disclosure to that of the earlier-filed application. Under 35 U.S.C. § 120, a continuation application is entitled to the benefit of the filing date of the earlier application. Therefore, the filing date of the “original application,” as that term is properly interpreted, corresponding to the '090 patent, is June 13, 1997. As a result, that patent is not properly subject to *inter partes* reexamination under the AIPA, which only applies to patents issuing from “original applications” filed after November 29, 1999.

12. Alcatel sued Foundry Networks, Inc. ("Foundry") for infringement of a number of patents, including the '090 patent, on June 21, 2005 in the Federal District Court for the District of Delaware ("Delaware District Court"). The case is identified by cause number 1:05-cv-00418-SLR (hereinafter the "Underlying Patent Lawsuit"). Trial is set for April 27, 2007. Scheduling Order, *Alcatel USA Resources, Inc. v. Foundry Networks, Inc.*, No. 05cv418-SLR, at 6 (D. Del. Oct. 12, 2005).

13. Thirteen months after the filing of the Underlying Patent Lawsuit, on August 7, 2006, Foundry filed with the PTO a request for *inter partes* reexamination of the '090 patent. The PTO accepted Foundry's request, assigned serial number 95/000,167 to the reexamination ("the '167 Reexamination"), and is proceeding with same.

14. Because the '090 patent is not the proper subject of an *inter partes* examination under the AIPA, the PTO's acceptance of Foundry's request in accord with its revision of the M.P.E.P. and prior notice in the Official Gazette was improper.

## COUNT I

### (Administrative Procedure Act – Unlawful Agency Decision)

15. Plaintiff restates and herein incorporates by reference the allegations of the preceding paragraphs.

16. The PTO, through its implementation of the AIPA § 4608 in § 2611 of the M.P.E.P., interprets the phrase "original application" to encompass continuation applications, divisional applications, continuations-in-part, continued prosecution applications (CPAs) and national stage phases of international applications. Whenever continuation applications, divisional applications, continuations-in-part, CPAs and national stage applications are filed with the PTO after November 29, 1999, but claim priority to original applications filed before

November 29, 1999, the PTO's erroneous interpretation permits *inter partes* proceedings in violation of AIPA.

17. The PTO's implementation of AIPA § 4608 in M.P.E.P. § 2611 should be set aside under 5 U.S.C. § 706 as arbitrary, capricious, and contrary to law in that it violates AIPA § 4608.

18. The PTO's implementation of AIPA § 4608 in the April 11, 2000, Official Gazette should be set aside under 5 U.S.C. § 706 as arbitrary, capricious, and contrary to law for the same reasons.

## COUNT II

### (Administrative Procedure Act--Improper Rulemaking)

19. Plaintiff restates and herein incorporates by reference the allegations of the preceding paragraphs.

20. The PTO's implementation of AIPA § 4608 in M.P.E.P. § 2611 constitutes a rule under 5 U.S.C. § 551(4) because it is an agency statement of general applicability and future effect designed to implement, interpret, or prescribe law or policy.

21. The PTO's implementation of AIPA § 4608 in M.P.E.P. § 2611 should be set aside under 5 U.S.C. § 706 because the PTO failed to abide by the rulemaking procedures prescribed in 5 U.S.C. § 553.

22. The PTO's interpretation of AIPA § 4608 is a substantive rule subject to the rulemaking procedures of 5 U.S.C. § 553 because it effects a change in existing law and affects the rights of patent owners. More specifically, Part I of 37 C.F.R. at § 1.325 provides that mistakes not affording legal grounds for reexamination will not be corrected. Section 1.351 of 37 C.F.R. further provides that "[a]ll amendments to the regulations in this part will be published

in the *Official Gazette* and in the Federal Register” (emphasis added). Section 4608 of the AIPA does not create legal grounds for an *inter partes* reexamination of “original applications” filed before November 29, 1999. Thus, according to 37 C.F.R. §§ 1.325 and 1.351, such applications should not be subject to *inter partes* reexamination, absent an amendment to the regulations published in the Official Gazette and the Federal Register. The PTO’s interpretation of the phrase “original application” in M.P.E.P. § 2611 fails to satisfy the second requirement under the PTO’s own rules for amending its rules.

### COUNT III

#### **(Injunction Terminating the '167 Reexamination and Barring Certain Future *Inter Partes* Reexaminations)**

23. Plaintiff restates and herein incorporates by reference the allegations of the preceding paragraphs.

24. Absent injunctive relief from this Court, the Director threatens imminently to grant Foundry’s reexamination request, which will cause the reexamination of the '090 patent to proceed under the *inter partes* reexamination procedure set forth in 35 U.S.C. §§ 311-18 and 37 C.F.R. §§ 1.902-1.997. Such a proceeding will be improper, for reasons stated above.

25. The conduct of the Director threatens to cause immediate and irreparable harm to Alcatel from which it has no adequate remedy at law. Proceeding with the '167 Reexamination will severely limit and irreparably affect Alcatel’s legal rights. If the law were applied properly, then the '090 patent could only be reexamined under the *ex parte* procedure, which would preclude Foundry from participating in the proceeding after the PTO’s first Office Action issues. However, if the PTO proceeds under the improper *inter partes* route, Foundry will be able to participate in the '167 Reexamination—significantly impairing Alcatel’s procedural rights, and

increasing Alcatel's burdens and expenses in defending its patent. Moreover, under the improper *inter partes* procedure, Alcatel will be denied the right to conduct an interview with the patent examiner in charge of the reexamination of the '090 patent. *See* 37 C.F.R. § 1.955. In contrast, under the *ex parte* reexamination procedure, Alcatel would be given the right to conduct such interviews. *See* 37 C.F.R. § 1.560. Furthermore, Foundry's participation in the '167 Reexamination will cause Alcatel to make additional statements regarding the scope of the patent claims—statements that Alcatel would not have to make if the proceeding were *ex parte*. Such statements will irrevocably become part of the record and be used by courts, including the Delaware District Court in the Underlying Patent Lawsuit, to interpret the scope of the claims of the '090 patent. Accordingly, under 5 U.S.C. § 706, injunctive relief is warranted.

#### **COUNT IV**

##### **(Declaratory Judgment Action)**

26. Plaintiff restates and herein incorporates by reference the allegations of the preceding paragraphs.

27. The PTO's implementation and interpretation of AIPA § 4608 is arbitrary and capricious and contrary to law for the reasons set forth above, and should be declared as such under 28 U.S.C. § 2201 and 5 U.S.C. § 706.

#### **PRAYER FOR RELIEF**

WHEREFORE, Plaintiff prays that the Court:

A. Declare, adjudge and decree that the PTO's interpretation of the term "original application" in M.P.E.P. at § 2611 and in the Official Gazette notice is arbitrary, capricious, and contrary to law, and is set aside as such;



B. Issue preliminary and permanent injunctions directing Defendant Director to terminate the '167 Reexamination;

C. Issue preliminary and permanent injunctions directing Defendant Director to refrain from accepting any future requests for *inter partes* reexamination relating to the '090 patent;

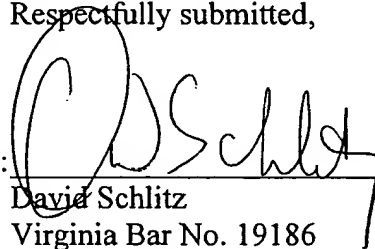
D. Issue preliminary and permanent injunctions directing Defendant Director to refrain from accepting any future requests for *inter partes* reexamination relating to any application having an effective filing date prior to November 29, 1999; and

E. Such additional relief as this Court deems equitable and just.

Respectfully submitted,

Dated: September 22, 2006

By:



David Schlitz

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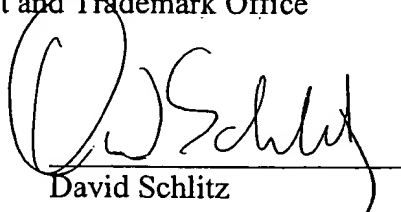
## CERTIFICATE OF SERVICE

Pursuant to Fed. R. Civ. P. 4(i)(1) and 37 C.F.R. §§ 104.2 and 104.12, a true and correct copy of the Complaint, attached Summons, and Disclosure Statement pursuant to Local Rule of Civil Procedure 7.1 in the matter of *Alcatel USA Resources, Inc. v. Jon W. Dudas* has been sent by certified mail return receipt requested on this 22nd day of September 2006 to the following:

Civil Process Clerk  
Office of the United States Attorney for the Eastern District of Virginia  
2100 Jamieson Ave  
Alexandria, VA 22314

Attorney General Alberto R. Gonzales  
U.S. Department of Justice  
950 Pennsylvania Avenue, N.W.  
Washington, DC 20530-0001

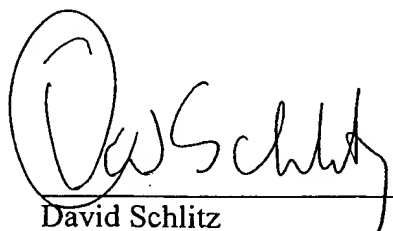
Jon W. Dudas, Under Secretary of Commerce for Intellectual Property and  
Director of the United States Patent and Trademark Office  
c/o General Counsel, United States Patent and Trademark Office  
P.O. Box 15667  
Arlington, VA 22215



David Schlitz

A courtesy copy of the Complaint and attached Summons in the matter of *Alcatel USA Resources, Inc. v. Jon W. Dudas* has been hand delivered on this 22nd day of September 2006 to:

Office of the General Counsel  
Room 10B20  
Madison Building East  
600 Dulany Street  
Alexandria, Virginia



David Schlitz